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Title: Fletcher initiative right for Kentucky

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Writer: Clark T. Corson

Lead:

In his recent letter criticizing Governor Fletcher's \$4-per-carton "flat tax" initiative on cigarette manufacturers - which would replace the annual tobacco settlement and escrow payments, and keep \$150 million a year in tax revenues collected from Kentucky smokers in the state - Michael Farriss of Philip Morris fails to point out that every state has a legitimate right to tax, and every state has a right to determine its own policy towards the tobacco industry outside of the Master Settlement Agreement (MSA).

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In his recent letter criticizing Governor Fletcher's \$4-per-carton "flat tax" initiative on cigarette manufacturers - which would replace the annual tobacco settlement and escrow payments, and keep \$150 million a year in tax revenues collected from Kentucky smokers in the state - Michael Farriss of Philip Morris fails to point out that every state has a legitimate right to tax, and every state has a right to determine its own policy towards the tobacco industry outside of the Master Settlement Agreement (MSA).

Kentucky's attorney general may have signed the MSA, but he did so with every expectation that tobacco revenues and jobs would stay in the state.

Since the MSA was signed, Kentucky's share of settlement payments has dropped some 36 percent to an estimated \$91 million in 2006 and will decline to only \$88 million in 2007.

To compound Kentucky's revenue problems, the big tobacco companies, including Philip Morris, Reynolds, Lorillard and Commonwealth Brands, are all seeking a staggering \$1.2 billion MSA rebate. That means \$22 million less for Kentucky.

Since the MSA was signed, Kentucky has lost tobacco farming and tobacco manufacturing jobs. Philip Morris and Brown and Williamson have simply abandoned Kentucky. It's the small independent tobacco companies who didn't sign the MSA - like National Tobacco Company, YTC US, Tantus Tobacco and IDC of Kentucky Inc. - that now maintain the tobacco manufacturing legacy in the state.

Governor Fletcher's initiative is right for the state. It will support much-needed college tuition fees for students attending Kentucky universities, as well as strategic agricultural and economic development initiatives that could well help replace the tobacco growing and manufacturing jobs that Kentucky has lost since Philip Morris, B&W and the other MSA

participating companies abandoned the state.

Clark T. Corson, president, Council of Independent Tobacco Manufacturers of America

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